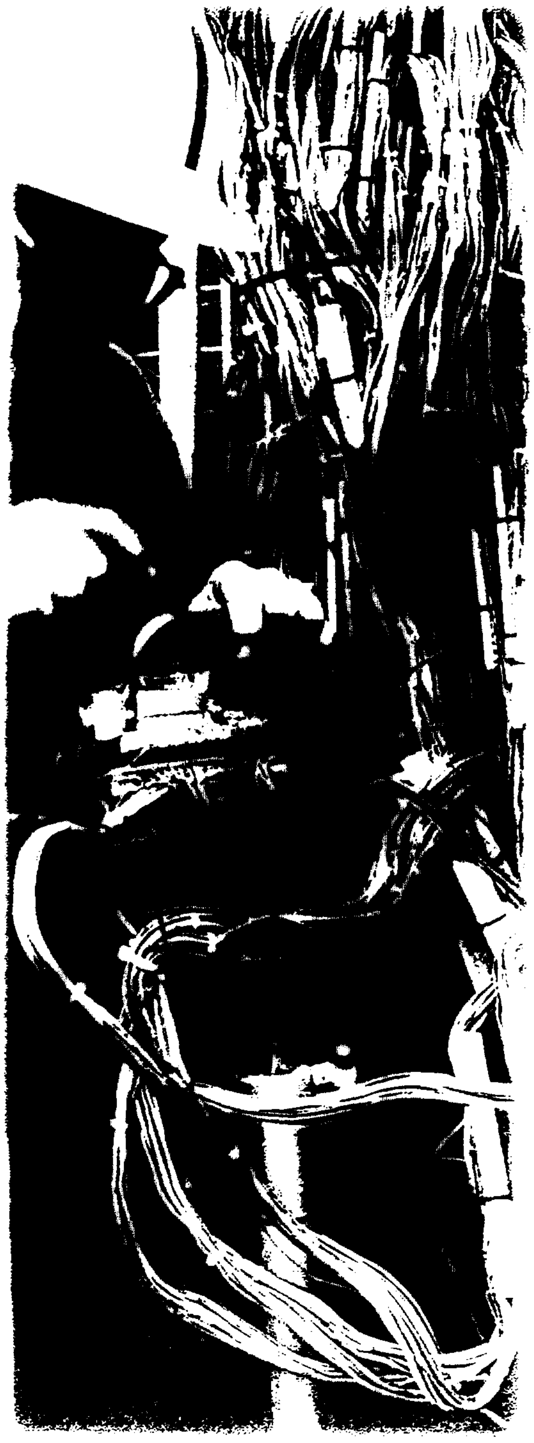
APPENDIX B

America's Network

DECEMBER 1, 1995 TECHNOLOGY FOR THE NEW PUBLIC NETWORK CAN $5.95 • US $4.95

DEVIL IN THE DETAILS

Local Services Competition Has Arrived, Right? Wrong. Here Are Five Top Reasons Why Not.



FROM THE

EDITORS

TAKE THE RISK— IT'LL BE WORTH IT

There has been a lot of talk recently about the local exchange industry dragging its feet on providing competitors access to local switches. Local carriers reportedly are engaged in all kinds of blocking tactics; they've been accused of intentionally sending the wrong personnel to important meetings on interconnection and of making secret high-level decisions to hamstring deregulation.

If even half these stories are true, local exchange carriers are doing themselves—and their shareholders—a disservice. By trying to stall deregulation until some notion of a perfectly level playing field is achieved, the local exchange industry is losing precious ground in the race for larger future market share.

This market will be dominated by the best providers of consumer and business interactive services, not bandwidth. By focusing on the economics of transmission without devoting at least an equal amount of attention to content and services, the local exchange industry is playing a dangerous game on behalf of its shareholders.

If the broadcasting model is any guide, local exchange carriers will continue to lose market share to competitors. But it won't be because they have sacrificed transmission rights of way. It will be because more progressive service providers have tapped into a market appetite for innovative features and services.

The local exchange industry should stop dragging its feet now on addressing the details of providing competitive access to the local loop. The strategy is short-sighted, and in the long run is a losing proposition.

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ABP BPA

■ LOCAL COMPETITION

DEVIL IN THE DETAILS

Five reasons local loop competition isn't right around the corner.

Vince Vittore
Associate Editor

Competitors to local exchange carriers (LECs) operate more than 500 networks around the country and are expected to earn more than $1.2 billion in revenues by yearend. So competition for the local loop is here, right? Wrong.

"We could get every regulatory requirement we want, but we could be sitting in our graves waiting for the RBOCs to implement all the changes," says Tom Morrow, president of Time Warner Telecommunications.

If history teaches us anything, hashing out the details of local competition—interconnection, local number portability, reciprocal compensation, etc.—will make the last three years of regulatory fights look like a picnic.

By the numbers, competitors have a long way to go—despite cries to the contrary from LECs who still control about 99% of the $90 billion local exchange market. Numbers aside, there are five major reasons why RBOCs and major Independents will continue to dominate local switched services.

1. INTERCONNECTION WILL BE MORE DIFFICULT THAN ANTICIPATED.

Interconnection itself is not a major technical feat, though there are some bugs to work out, according to those in the trenches. The biggest obstacle is negotiating details such as collocation, unbundling, reciprocal compensation and, most importantly, pricing. "We still don't have permanent interconnection standards or processes, and it doesn't look like we're going to get them soon," says Heather Gold, president of the Association for Local Telecommunications Services (ALTs), which lobbies for competitors on Capitol Hill.

At its most basic level, interconnection means different things to different LECs. Frontier Corp. has unbundled just about every portion of its local loop. At the opposite end of the spectrum, U S West has unbundled its loops in two sections—between the end office and the tandem, and the end office and the customer location, says Mark Reynolds, U S West director-interconnect services. "That's just about as far as anybody would need to go. It's very costly to unbundle a highly integrated network. But we're not opposed to unbundling."

Competitors disagree and want all LECs to follow Frontier's model in Rochester.

More contentious is the pricing issue, specifically how LECs price interconnection services. Competitors charge that most arrangements proposed by incumbents don't allow enough margin to make competition economically possible.

Additionally, competitors claim they are paying for inefficiencies of the RBOC network and could end up paying more for the piece parts than for the whole system. "It's a great way to hide the cost," D. Craig Young, president and COO of Brooks Fiber Properties, says of the current pricing schemes.

Competitors also object to the universal service subsidies wrapped into interconnect charges and want a separate mechanism for funding the program.

LECs respond by saying competitors want pricing far below cost and claim pricing is based on interconnection rates given to interexchange carriers. Additionally, universal service subsidies must be included until competitors begin serving the same mix of residential and business subscribers as LECs, says Reynolds, noting about 75% of U S West's lines operate at below-cost rates. "If I were an interconnector, I'd buck [the subsidies] too. But it's kind of like your dues to be in this type of business."

There has been talk at the federal level of requiring LECs to sell interconnection at cost. But some competitors fear the mandate could apply to their interconnect prices with IXCs. "We don't want to put all our eggs in one basket," says Darryl Ferguson, president of Citizens Utilities, which owns Electric Lightwave Inc. (ELI). "As much as you'd like to cut a deal with

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LOCAL COMPETITION

continued from page 30

the large IXCs, you have to ask yourself what their intentions are two or three years down the road."

2. LOCAL NUMBER PORTABILITY IS IN ITS INFANCY.

Number portability is on the fast track, but even its proponents say it will be a few years before a real solution is ready. And once technical specifications are completed, the big issue will be deciding who pays for it.

The Illinois Number Portability Task Force, which chose a long-term solution from AT&T, and a trial in Washington have proven a database architecture can work. But several peripheral issues will take months and perhaps years to hammer out. First and foremost, who administers the system?

Bellcore, which heretofore has administered the North American Numbering Plan, is not acceptable to competitors because of its RBOC heritage. Finding a "neutral third party" will take months, and transitioning could take years. And if regional databases are the preferred solution, a national administrator may not work.

Secondly, who pays for the databases and links to carriers? "It's certainly not the obligation of all of us to pay 100% of number portability," says Time Warner's Morrow. "If we're not careful, we'll find ourselves paying for the LECs' AIN under the guise of number portability."

The goal is to work out a cost-share arrangement, something few are exploring at this point. Proposed federal legislation leaves much of the detail work to the FCC, which could be stripped to the bone by cost-cutting measures.

"I would think we're two years away" from a real number portability solution, says Reynolds.

3. BACK OFFICE INTEGRATION WILL TAKE MORE RESOURCES THAN COMPETITORS ANTICIPATE.

Almost a year after Frontier opened its local loop to competitors, newcomers are finding that connecting switches is the easy part.

"The back office stuff was very difficult. That absorbs an enormous amount of resources," says Morrow. If competitors aren't careful, they could become "victims of the problems telcos have with back office systems."

For real competition to occur, multiple facilities-based providers must offer a full slate of switched services. "If you don't offer end-to-end service sets, it's going to be very difficult to compete," says Young. And that will require integrated support systems.

"I think what we've done as an industry is we've underestimated the task," adds Ferguson. "We've underestimated the resources it takes to provide basic service."

4. STATES AND MUNICIPALITIES WILL HAVE TROUBLE DEALING WITH COMPETITION.

Most carriers have focused lobbying efforts on state PUCs. But as states with deregulation have discovered, dealing with major telecom issues is much more complex than doling out license plates.

"The stakes were so high, it made compromise extremely difficult," says Stephen Mecham, chairman of the Utah Public Service Commission, which recently completed its rules for local competition.

And even if federal legislation is passed, many tariff details still would fall to state commissions, something few are prepared to handle.

Also, states with little competition may be hurt most as they try to play catch-up, says Joe Miller, former chairman of the Idaho Public Utilities Commission. In many cases, their goal has been preserving universal service and dealing with the RBOCs' desire to escape rate-of-return regulation, something he advocates as key to competition. "The important point is once regulation is not concerned with protecting the incumbents' rate of return, the fundamental change can take place. With universal service taken care of and competition existing, regulation won't have to limit profits."

Municipalities also could play a major role. In addition to charging competitors for access to rights of way, some cities force competitors to go through certification processes different from those at the state level. One city in Utah has even shut out all competitors, hoping to offer municipal telephone service itself (similar to municipal water and sewer service). "Neither the PSC or any other state agency has authority to do anything about it," says Mecham.

"The problem here is cities are hard strapped for cash and look at access as a revenue source," adds Harold Crumpton, a commissioner on the Missouri Public Service Commission.

5. IT'S IN LECs' INTEREST TO DRAG THEIR FEET.

Despite rhetoric to the contrary, LECs continue to slow competition. And until they're given what they want (access into long distance), it benefits them to put up as many roadblocks as possible.

Case in point: Ameritech. The RBOC proclaimed itself a pro-competitive force since introducing its "Customers First" plan two years ago. Competitors tell a different story. "I filed for certification in Ohio and I've lost count on the amount of lawsuits filed [by Ameritech]," says Morrow. "This from a company that advertises itself as pro-competitive. It's all just great PR."

Other RBOCs, particularly U S West and Southwestern Bell, receive more than their share of competitors' criticism. "There's no doubt [U S West Chairman] Dick McCormick made a decision to go slow on competition," says Citizen's Ferguson, adding the RBOC has met only 15% of its interconnection commitments to ELI.

It doesn't have to be this way, though, he concludes. "We have two major obstacles, and both—fair interconnection and pricing—are in the control of LECs. They've got to have the ability and the heart to offer it. It's a real struggle we've got in front of us."

Even regulators are whispering about stall tactics. In Utah, three companies have been authorized to provide competitive services, according to Mecham. In all three cases, U S West appealed because of the way certificates were issued. "I guess in about three years we'll find out who's right, and by that time the game may already have been played." ■

APPENDIX C

Date: Thu Nov 02, 1995 10:25 pm CDT
Source-Date: Thu, 2 Nov 1995 22:06:00 EST
From: nML Comm. Daily
EMS: INTERNET / MCI ID: 376-5414
MBX: COMDAILY@cis.wdc.mci.com

TO: * Peter P. Guggina / MCI ID: 296-1556
Subject: nML Communications Daily 11/3/95 (1 of 2)
Message-Id: 11951103032511/0003765414DC6EM
Source-Msg-Id: <23951103030632/0003054374PJ4EM@MCIMAIL.COM>

FRIDAY, NOVEMBER 3, 1995 VOL. 15, NO. 213

Today:

Long Distance Challenges

INDEPENDENT TELCOS RALLY FOR DEREGULATION AT ANNUAL CONFERENCE

PALM SPRINGS -- Clear implementation plans for local competition are needed immediately, especially opening essential bottleneck facilities, to permit independent telcos entry to market, Assn. for Local Telecommunications Services (ALTS) Pres. Heather Gold declared here at opening of annual conference. She said local telcos are anxious to enter $90-billion market, but have been stymied by incumbent LECs that cite ALTS to justify that markets are open but erect roadblocks to slow competition. "We must put an end to the gamesmanship that has led to the kind of regulatory slow roll experienced in attempting to open the local markets up to this point," Gold said.

Speakers advised telcos they need to be full-service providers, since customers -- especially residential -- are seeking one-stop shopping and won't deal with multiple providers. "You must differentiate yourself," said Linda Lukaszka, mgr., Global Commercial Markets, AT&T. "It's not enough to offer the same as your competition." Companies eyeing long distance entry should consider high start-up costs and infrastructure, said Stu Kolinski, sales consultant who spoke at lunch. '"Be ready to spend some money -- on people, brochures, management," he said, adding that companies should hire managers and sales executives from long distance industry.

Theme for opening session was entry into local market and steps required to move from talk to action. State regulators cited difficulties in working out acceptable ground rules, while some states took brash approach. Stephen Mecham, chmn., Utah PSC, said his state has removed all barriers and he encouraged companies to come in and provide competition to U S West and other LECs. Gold set theme in keynote comments on frustrations and delays independent telcos faced: "On the bright side, the pressure for faster change is mounting."

Gold said local telco opportunities remain "only potential" as efforts by 13 states to pass enabling legislation haven't "yet resulted in the implementation of the elements essential if we are to achieve a truly competitive local marketplace." LECs have gained "unwarranted regulatory relief" by citing "potential for competition," while companies continue to be shut out of markets, she said. ALTS complained that at federal level, LECs have submitted and had rejected 4 sets of tariffs, launched 2 court appeals of FCC decisions and thwarted implementation in many markets. State efforts have been "similarly tortured," she said.

Gold outlined 7 steps required for implementation: (1) Removal of state and local barriers to entry, including administrative barriers. (2) Interconnection and unbundling of essential bottleneck facilities to permit interoperability of competing networks. (3) Rates for each interconnection element offered separately and set at "economic cost." (4) Charges for interconnection "must be imputed to the carrier itself." (5) Nondiscriminatory, reciprocal financial relationships for exchanging local traffic between service providers. (6) Removal of restrictions on resale to eliminate "artificial barriers between services using the same facilities." (7) Ability of customers in all market segments to choose local carrier, which will require "complete restructuring" of universal service fund.

In afternoon sessions, companies were advised that customers have become more demanding in types of services provided and won't accept basic service alone. "Customers want, expect and need enhanced services," Link USA Sr. Vp Kristi Feltz declared. Business and residential customers need "total solutions to give them the answers they want," said Gail Gilbert, mgr., Ericcson end office-tandem business line.

ALTS Notebook...

Explosive growth in switched access and healthy gains in switched service and toll will propel independent telco industry to $20.3-billion annual revenue by 1998, from estimated $1.3 billion this year, Connecticut Research Pres. Richard Tomlinson said. Dedicated access and private line services, which account for most of industry, will grow 2.5% to $1.3 billion and be eclipsed by other enhanced services, he said. "We are poised on the brink of regulatory and market developments which will take us well beyond peripheral competitive sparring and will produce a transition into core competition," Tomlinson said.

Siemens said it's adding full interexchange carrier tandem capability to central office switching system, reflecting increasing competition in IXC and LEC markets. New software will give LECs ability to modify existing switches to provide equal access for long distance carriers. Software will be ready in early 1996, it said.

Phoenix Fiberlink is buying up to $35 million in Siemens equipment, including EWSD digital switch and Siecor fiber, for its Salt Lake City network, which will have 40-mile fiber ring when completed at year-end, companies said. Contract also includes vendor financing for Phoenix.

Resolution Up in Air

PBS CONSIDERING DUAL PROGRAM FEED FOR NATIONAL UNDERWRITING

LEXINGTON, Ky. -- PBS is considering dual feed of prime-time National Programming Service, one with 30-sec. national underwriting spots and one with 15-sec. spots, as solution to dilemma that for years has plagued system, said John Wilson, PBS dir.-scheduling and planning, and Judy Stone, Ala. Public TV (PTV) exec. dir. and member of PBS task force studying national underwriting issue. PBS Pres. Ervin Duggan has said one of his top priorities is achieving minimum number of hours per year when all stations would carry same schedule with same spots, and most agree it would be easy to attract high-paying national program sponsors if they could be assured that underwriting credits, like ads on commercial TV, would reach most markets at same time. Stations, with different underwriting guidelines in each market, haven't been able to agree on how best to accomplish goal.

Task force studying common carriage and underwriting said dual feed would solve stations' biggest problem with national underwriting -- while some use 30 sec. spots, preferring them because they bring in more revenues, and have arranged their schedules to accompany them, others hold fast to 15 sec., contending that 30-sec. spots come too close to advertising and are against their noncommercial nature. In addition, some licensees, especially those associated with educational institutions, have charters that forbid them from airing 30-sec. underwriting credits.

Idea of "variable standard" raises many questions and still has many bugs to be worked out, Wilson said at session at Southern Educational Communications Assn. conference here. For example, any station that now carries 30-sec. credits would be required to receive PBS feed with 30-sec. spots, which means either their programs would have to be shorter or, more likely, they would have to reduce amount of local underwriting to make room for longer PBS credits. Wilson said plan would be to have one 75-sec. feed, consisting of up of two 30-sec. spots and one 15-sec. spot, and another with standard PBS credit pod of spots only up to 15 sec. Wilson said that could mean up to 4 or 5 min. of funding credits at top or bottom of hour, ending previous show and beginning next one. Nothing is set in stone, he said.

Task force hasn't proposed yet who would pay for costly 2nd feed, but one audience member said it should be those using 30-sec. spots since they would be getting more revenue. Not only would feed be expensive (cost hasn't been explored yet), it also would mean double workload for national programmers and producers. Compliance would be monitored only on complaint basis, with as-yet-unspecified sanctions possible if deemed appropriate by peer review board. Wilson said PBS is looking for comments from system on these issues as well as: (1) Acceptability and practicality of dual-feed system. (2) Suggested changes in PBS underwriting guidelines, which PBS plans to overhaul for eventual adoption as system standard.

Task force also hasn't set time line for revising PBS guidelines since much is dependent on any action Congress takes to change its underwriting requirements. Some proposals on Capitol Hill would loosen guidelines and permit more enhanced underwriting, which some in industry fear is first step toward commercialism. Still others say stations should be allowed to experiment with longer and more detailed spots, including attributing sponsorship to product rather than company, showing consumers using products, etc. But there's some urgency, Wilson said, since goal is not to lose any more underwriters, which often are confused about differing policies in different markets, and to attract new underwriters in time when non-govt. funding is crucial. "The sooner the better," he said.

Utilities Seen as Players

LOCAL TELCOS URGED TO THINK WIRELESS AND RESALE FOR QUICK ENTRY

PALM SPRINGS -- Wireless and resale represent quick way for telcos to compete in local market, but industry analysts and executives at conference here Thurs. said neither option guarantees success. Power companies also are expected to become players, one speaker said. Relations between LECs and competitors remain major sticking point in winning quick entry and early benefits of resale agreements, speakers said. "You will see many different types of permutations and combinations of alternatives in use any one time," said Jacob Goldberg, Nynex vp-NET-I marketing & sales. Wireless quality and reliability have improved considerably in last few years, making it more viable bypass alternative for local carriers, Yankee Group analyst Mark Lowenstein said.

Panelists discussed resale options before announcement by Ameritech and U.S. Network Corp. of first RHC-competitive access provider (CAP) agreement for resale of wide array of LEC services. Goldberg said any company seeking entry into telecom market will have to enter local exchange market, and resale agreements represent easiest and quickest approach. "Challenges are going to be extraordinary. They already are extraordinary." Nynex already has more than 25 switches with competitive access, providing 15,000 voice-grade trunks linking switches with other companies and more than 100 NXX numbers have been assigned to other companies.

Electric utilities also represent potential competitor for incumbent LECs, given widespread right-of-way and right-of-entry presence in service territory. In addition, they have more secure fiber-cable routes, since few contractors want to dig up buried electric cable, said Gary Bunjer, pres., ICG Access Services in Colo. "Electric utilities have come on strong," he said. In next 6-12 months, he said, they will start to become larger players in telecom services, especially as markets are deregulated.

Panelists couldn't answer audience questions about profit margin from local resale. James Hogan, Teleport Communications Group (TCG) vp-sales, drew big laugh when he deferred to Goldberg, whose company sets rates in N.Y. where TCG is providing competition. Goldberg said market remains too young to set rates, and each case must be negotiated on individual basis. "The market is going to get ugly," Bunjer said, as long as companies are negotiating for basic dial tone services that have very narrow margins. Companies providing value-added services are likely to improve on profitability from resale arrangements, he said.

PCS expansion and upcoming auctions for Block C and future blocks are driving improvements in quality and price for wireless, making it viable alternative for competition, Lowenstein said. Recent surveys show overwhelming interest in mobile communications by noncellular owners, he said, which creates opportunity for CAPs to enter business. PCS auctions have effect of greatly expanding wireless network capacity beyond current limitations, possibly eliminating overload situation in major cities such as N.Y. and L.A., he said. Wireless can allow companies to "be their own access provider," he said. Yankee Group forecasts penetration of 35%-40% by 2004, vs. 11%-12% currently, growing to $60-billion business from $15-$18 billion.

APPENDIX D

Date: Mon Nov 06, 1995 7:10 pm CDT
Source-Date: Mon, 6 Nov 1995 18:57:00 EST
From: nML Comm. Daily
EMS: INTERNET / MCI ID: 376-5414
MBX: COMDAILY@cis.wdc.mci.com

TO: * Peter P. Guggina / MCI ID: 296-1556
Subject: nML Communications Daily 11/7/95 (1 of 2)
Message-Id: 53951107001035/0003765414DC3EM
Source-Msg-Id: <04951106235740/0003054374PJ2EM@MCIMAIL.COM>

TUESDAY, NOVEMBER 7, 1995 VOL. 15, NO. 215

Today:

TELCOS TOLD THEY CAN'T FIGHT COMPETITION: Industry executives say at USTA that future holds opportunity and problems but it won't do any good to circle wagons. USTA Convention Notebook. (P. 1)

USTA KICKS OFF CONVENTION WITH 'REGULATORY SUNDAY' featuring Keeney's first speech as Common Carrier Bureau chief. Panel sessions stress changes in industry rules. (P. 2)

ADVISORY GROUP DRAFT RECOMMENDS APPROVING HDTV STANDARD: Technical Subgroup says Grand Alliance system meets requirements. Little opposition likely Nov. 28. Next step up to FCC. (P. 3)

At USTA Convention

TELCO EXECUTIVES SEE FUTURE OF OPPORTUNITIES AND PROBLEMS

ORLANDO -- Addressing first general session of USTA convention here Mon., telco executives from big, medium and small companies sent message: Don't fight competition and other changes in industry because it won't do any good. Better course is to take advantage of changing rules by diversifying into new businesses.

"This is not the time to circle the wagons," BellSouth Chmn. John Clendenin said in keynote speech. "It would be futile anyway." Telcos can can "change or be left behind. That's all there is to it." Competitors will "quickly go after the 20% of customers who account for 80% of revenues," he said. "It will happen sooner than we think. At BellSouth, we're going to lose customers in our core businesses. But we will have latitude to add customers in new businesses."

Legislative and regulatory changes will bring competition and "change the way you do business," said USTA Chmn.-elect Bob Boaldin, who's pres. of Elkhart (Kan.) Telephone. "Some of your largest customers will become your competitors but you do not have the option to do nothing," he said. On other hand, telcos also will have new opportunities, Boaldin said: "You and I may compete in PCS, cellular, maybe something we don't even know about yet. Companies will merge. There will be plenty of opportunities. The one problem we must overcome is mindset... The prospect of a totally new landscape may be frightening but we have tangible assets in our facilities-based networks and intangible assets in goodwill in the community."

Said USTA Chmn. Dan Miglio, chmn. of Southern New England Telephone: "We need to get our house in order, to ask whether we're ready for competition with up-to-date networks, training, customer service. Are we diversified or are all our eggs in the same historic basic services basket?" Most of all, he said: "We need to say our prayers every night." Similar message was imparted by USTA officials at last year's convention.

Noting convention's theme, "Dimensions of New Reality," Clendenin said reality includes: (1) Competition in local exchange brought about by technological and regulatory changes. (2) Marketplace driven by customers instead of regulators. (3) Technology creating competitors independent of local exchange such as cable and satellite. (4) One-stop shopping for everything -- local service, entertainment, toll, paging and Internet access -- in "friendly packages convenient for customers."

BellSouth has been "aggressively advocating opening the local loop" before state commissions but states can only do so much, Clendinin said. "They can't bring down the artificial walls between video and telephone, long distance and local service. Only federal legislation and the courts can do that, and those walls need to come down." Most members of Congress appreciate need for competition but "it should be real competition, not unrealistic resale" that forces telephone companies to "bankroll their competitors," he said.

USTA Pres. Roy Neel said pending legislation has "deep potholes" in areas of universal service, resale and role of govt. in MFJ relief, but "the benefits are enormous" in new jobs and improvements to economy. Similar theme was sounded by Gary McBee, coordinator of Alliance for Competitive Communications, at Mon. morning congressional breakfast. Although industry favors pending legislation, congressional misunderstanding about telco position on resale is major problem as conference committee works out agreement on bill, he said. Issue is what price telcos must set for reselling their network services to competitors. Offering reduction in retail price -- one way to define wholesale price -- doesn't work, McBee said, since retail price is below cost for most telcos. That's because of complex subsidy system in telephone business. Cost can be twice amount charged to consumer, he said.

Alltel Senior Vp Diane Smith said benefits of legislation are many, including guaranteed entry into cable and tariff flexibility that she defined as "one of the most valuable things you can get." Among risks: (1) "Elimination of barriers of entry to our business," perhaps without equally opening other businesses to telco entry. (2) Interconnection requirements that are like "ordering dinner at a restaurant and getting a check for the fork, the knife, the water glass and the lettuce on the salad." That means more administrative burdens for small companies, she said. (3) Resale requirements and accompanying administrative requirements. "Everyone needs to know your costs and prices." Neither House nor Senate bill is perfect from telco perspective, she said. She said one of biggest challenges is to convince lawmakers that new competitors aren't tiny upstart companies. "We're talking about Time Warner, AT&T and MCI."

Asked whether Congress will act soon on final passage of legislation, McBee said 2 things lead him to think passage will come before end of year: (1) There's a lot of congressional interest in legislation and there are consumer benefits. (2) "They're sick of us" on Hill. "You can only put up with Bell lobbyists, or mid- and small company lobbyists for so long."

USTA Convention Notebook...

Sounding now-familiar theme of major reform of telephony regulation, FCC Chmn. Hundt addressed USTA convention Mon. via videotape because he was in Brazil at another conference. Calling for access charge reform, he said carrier common line (CCL) charge results in "high-volume users' subsidizing low-volume users."

APPENDIX E

Alliance for Telecommunications Industry Solutions

Problem Solvers to the Telecommunications Industry

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June 1, 1995

Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street N.W. Room 222
Washington, D.C. 20554

Re: CC Docket No. 92-237 and IAD File Nos. 94-102 and 94-104
Ex-Parte Presentation May 23, 1995, by the Cellular Telecommunications Industry Association (CTIA)

Dear Mr. Caton:

The "Draft Proposal: Creation of the U.S. Numbering Association" presented by CTIA has two errors of substance about the Alliance for Telecommunications Industry Solutions (ATIS). I believe it is necessary to correct these errors in order to create an accurate record, and I request that this correspondence be filed as an ex parte in the above-referenced proceeding.

First, CTIA's proposal refers to "the LEC-governed" and "LEC controlled" ATIS (footnote 3, page 2). The fact is that our 27-member Board of Directors is made up of non-LECs and carriers with substantial non-LEC interests. The Board includes representatives from AT&T, Sprint, MCI, WilTel, Frontier Corporation, MFS Communications and Teleport Communications Group, all non-LECs. Moreover, a majority of our Board members have substantial wireless operations in their companies, and they vigorously represent those interests in Board discussions. Finally, the real "output" of ATIS occurs in its sponsored committees, such as the Industry Numbering Committee. The consensus-based standards and operational guidelines developed in our sponsored committees are in no way directed or influenced by our Board. They are developed by an even broader-based participant pool, where cellular and wireless companies are quite active. Thus, the suggestion that there is LEC governance or LEC control is not substantiated nor is it real.

Second, CTIA maintains it has made "requests" to ATIS to "broaden its scope." ATIS has yet to receive such a request. It should be noted, however, that we are constantly seeking new members from all industry segments. Last year, for instance, ATIS staff members and the chairman of the ATIS Board's Liaison

Committee met with officers of CTIA for the express purpose of explaining the goals of ATIS (which are to promote industry problem-solving), to invite wireless company membership in ATIS, and to encourage wireless companies to seek election to our Board of Directors. As a followup, and with CTIA's encouragement, I subsequently authored an article in CTIA's *Wireless Forum* magazine urging wireless companies to participate in ATIS forums, particularly our Industry Numbering Committee, which, among other important activities, is developing consensus recommendations for PCS number portability.

In this regard, ATIS's efforts to expand its membership will continue, and we welcome the continued interest and participation of the cellular industry in our activities.

Sincerely,

George L. Edwards

cc: Ruth Milkman
Karen Brinkman
John Nakahata
Pam Bell

APPENDIX F

United States Telephone Association

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M E M O R A N D U M

DATE: April 6, 1994

TO: LEC/CLC Members

FROM: Paul K. Hart PKH

SUBJECT: Meeting May 4, 1994 at USTA

I will host a meeting of the Local Exchange Carrier members of CLC at USTA on May 4th from 1:00 pm to 5:00 pm. USTA is located at 1401 H Street, N.W. Suite 600, Washington, D.C.

The purpose of the meeting is to review the agenda of the May 5th meeting in order to acquaint exchange carriers with positions on the issues to be discussed.

I offered to host this meeting as a USTA activity. I am serving as CLC chair and will conduct the meeting on May 5th. If you have any questions, I can be reached at (202) 326-7291.

c: Operations & Engineering Committee
National Services Advisory Committee
Numbering Planning Subcommittee
Technical Disciplines Staff

All numbering assignments would be done through computerized database [illegible] used [illegible] uniform assignment criteria adopted by the Board of Directors.

Staffing requirements would take into account travel expectations to participate in national (INC) and international (ITU) numbering forums.

4. Funding

Funding for the USNA would be provided by the users of the numbering resources: WSPs, LECs, IXCs, CAPs, and others. With additional research, a budget would be developed to account for projected staffing, overhead, expenses, and revenue. Initial funding would be provided through assessments to carriers, based on their numbering resources in use. Regular funding for operating revenue would be derived from assignment fees.

A. Initial funding for development and creation of the USNA would be provided by the current numbering resource users and would be based on the formula below.[4] Since the majority of work to be performed would be administering NPA and NXX codes, initial funding of the USNA would be based on the number of NXXs currently in use.[5] For smaller carriers that share an NXX, the formula could be adjusted.

Initial Carrier Funding of the USNA

USNA Budget $\div$ Total Number of All Carriers NXXs X Funding Carrier Number of NXXs

B. Regular funding of the USNA would be based upon a rate structure to be developed, and based upon a fee per number assignment. NPA and NXX code assignment fees would be the primary income for USNA. A complete fee schedule would be developed for all assignments (see list below).

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3 Two groups under the LEC-governed Alliance for Telecommunications Industry Solutions (ATIS) have developed numbering proposals. The Industry Numbering Committee (INC) has developed NPA Relief Planning Guidelines, and the Industry Carriers Compatibility Forum has developed NXX Assignment Guidelines. Pending review, these documents could be useful in developing USNA guidelines. ATIS' governance remains LEC controlled, despite requests from CTIA to broaden its scope. WSPs have participated in drafting the current numbering guideline documents.

4 This initial carrier funding mechanism is similar to the CTIA funding mechanism for Fraud Assessments and Health & Safety Assessments, based on member spectrum and pops.

5 For a simpler initial funding alternative, each USNA Board member company, or the association they represent, would pay a flat fee for the privilege of sitting on the Board.

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

AFFIDAVIT OF ANTHONY J. TOUBASSI

I, Anthony J. Toubassi, being duly sworn, declare as follows:

1. I am an Advisory Engineer, Technical Standards Management for MCI Telecommunications Corporation (MCI). For the past five years I have represented MCI in the national and international standards process, and more recently as a member of the Telecommunications Information Networking Architecture (TINA) Consortium technical committee. I have a Master's degree in Electrical Engineering from Northwestern University in Evanston, Illinois, and an MBA degree from Fairleigh Dickinson University in New Jersey. I was employed for twenty-five years in technical positions in the telecommunications industry (AT&T Bell Laboratories, ITT, Alcatel and GTE) prior to joining MCI in 1990. I have been involved in the T1 standards committee since 1985, when the standardization of Common Channel Signaling SS7 and ISDN started. I am my company's representative to the Information Industry Liaison Committee (IILC) since 1992. I have been an active participant in the resolution of issues dealing with Open Network Architecture (ONA), network unbundling and in proposals to enhance the IILC Bylaws and Administrative Procedures in an effort to make the process more effective.

2. I am submitting this Affidavit in connection with the Commission's proceedings in CC Docket No. 95-20, Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services. In particular, in this affidavit I plan to clarify certain aspects of the IILC work and address misleading statements made by a number of Bell Operating Companies (BOCs) in those portions of their reply comments that respond to the Affidavit of Peter Guggina, attached as Exhibit B to MCI's Comments in CC Docket No. 95-20.

THE BOCS WORK IN CONCERT ON IILC ISSUES

3. Pacific Bell (PacBell) states that the BOCs, as seven separate companies, do not work in concert on forum issues[1] This statement is incorrect. The BOCs are active participants in the work of the IILC, and their representatives coordinate joint positions on issues during and between meetings. This serves to assure that the BOCs' position is well orchestrated on any issue discussion or vote. Collectively, the BOCs have a greater voice than other representatives or industry segments.

4. PacBell's statement on attendance[2] at the IILC meetings does not go far enough to explain the underlying effects of Local Exchange Carrier (LEC) and non-LEC attendance. In spite of the fact that a large number of non-LECs are on the IILC mailing

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[1] PacBell Reply Comments at 49.

[2] Id. at 46.

list, the number of non-LECs that actively participate in the issue task group work is only three at this time (MCI, ATSI and AT&T). Recent task group conference call reports show that only one or two non-LECs attended any of these meetings. The non-LECs cannot afford to send a large number of representatives to every meeting or to participate in every conference call on every issue. The reason is simple: the non-LECs do not have the monopoly ratebase to fund such activities. In addition, the non-LEC participants are mostly interested in the resolution of issues they submit to the IILC, and, consequently, act independently when issue discussions take place. The interest diversity of the non-LEC/Enhanced Service Provider(ESP) participants and their ever-dwindling numbers does not permit the same level of coordination as that enjoyed by the BOCs and other LEC interest groups.

5. In such a situation, it is easy to reach "consensus" in meetings when one non-LEC is faced with a well-coordinated block of seven BOCs and other LECs. The example cited by PacBell that "if all seven BOCs agree, but one non-BOC does not, then there is no decision"[3/] is incorrect. My experience in both T1 committees and the IILC is to the contrary. In T1, many standards have been approved over MCI's or other non-LECs' objections. In addition, in the IILC, when MCI objected to the Public Policy section of Issue #026 (Long Term Unbundling and Network Evolution), MCI was

[3/] Id. at 49.

told to write a letter explaining its objections, to be included in the issue #026 closing documentation. These examples demonstrate that one company's objections do not preclude a consensus on a letter ballot or an issue resolution in the face of a coordinated BOC steamroller.

6. An example of ESP frustration with the IILC process has been evidenced by the action taken by GeoNet Ltd. in requesting the IILC to put its Issue #044 (AIN Access by non-LEC to a Resource Element) on "Hold" status pending Commission action in the Advanced Intelligent Network proceeding (CC Docket No. 91-346). The reason for such a request on the part of GeoNet is the lack of progress on the resolution of its issue, due to the reluctance of the majority of the LECs to submit contributions that describe their AIN architecture plans as they relate to Issue #044. In addition, GeoNet's introduction of a new issue #055 (ISDN Feature Information) was rejected by all the BOCs during several meetings, even after a third rewrite of the scope of the issue statement. Thus, LEC opposition has resulted in this issue remaining on hold status. Progress remains to be seen. These experiences demonstrate that new issues that are not totally aligned with the BOCs' interests and strategies are not accepted by the IILC.

NETWORK UNBUNDLING HAS NOT BEEN ACHIEVED

7. Bell Atlantic stated that "distributed network

technologies, such as intelligent network, in fact increase the amount of network unbundling and have benefited ESPs."[4] This statement is only correct if and when unbundling of the BOC network is attained. At this time, the BOC network is far from being unbundled and open to other network and service providers. NYNEX's claim that under ONA, "fundamental unbundling has substantially been achieved,"[5] is unfounded. NYNEX has not explained how unbundling could have been achieved in its network without full implementation of the recommendations agreed to in Issue #026 (Long Term Unbundling and Network Evolution). The BOC switch architecture, including that of AIN/IN, remains closed to other networks and to third-party providers. In spite of the consensus documentation on Issue #026, the interconnection points requested by the non-LECs in this issue are not available under the IILC "120 day process"[6] or with any certainty in the future. Judging from the level of network unbundling that has been accomplished to date in the BOC network, the BOCs are utilizing the standards and industry fora process to "slow roll" their network unbundling for anti-competitive ends. The recent BellSouth Waiver petition to open its AIN network to third-party providers is a positive measure towards network unbundling, but the Commission should not confuse this limited step with true

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[4] Bell Atlantic Reply Comments at 8.

[5] NYNEX Reply Comments at 2.

[6] PacBell Reply Comments at 52.

network unbundling.[7]

UNBUNDLING ISSUES HAVE NOT BEEN ADDRESSED BY STANDARDS FORA

8. PacBell stated that some technical and operational issues identified in Issue #026 are "referred to other industry bodies with expertise to find solutions."[8] This statement creates the impression that the identified #026 issues are being resolved by other industry fora and standards bodies. The fact is that none of the key technical or standards issues are being addressed by any industry forum or by any expert group. Issue #026 spawned 50 new technical, operational, standards, mediation, and public policy issues[9] that need to be resolved before open access and network unbundling become a reality. Only six of those 50 issues, however, have been submitted to the IILC for resolution. After almost a year, progress on these six issues has been very slow, mainly due to the intransigence of some BOCs.

9. In addition, the IILC has no tracking mechanism with regard to the unresolved #026 issues and is not making any attempt to pursue the resolution of these issues in other

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[7] See MCI's Comments on BellSouth's waiver request, attached hereto as Exhibit A.

[8] PacBell Reply Comments at 53.

[9] See Exhibit B, IILC Issue #026, Section 5d, titled: "Issues Associated with Non-LEC Requests," April 19, 1995.